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## Review Essay: Paternalism, Behavioural Economics, Irrationality and State Failure

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### Introduction

Liberal political economy has long been distinguished by scepticism towards paternalistic government action. Though it has always supported restricting private liberties when these directly harm other agents, liberals of all stripes have opposed legislation which purports to 'save people from themselves'. On this view, coercive interference in the private realm impedes personal autonomy by substituting individuals' own judgement of what is good for them, with the judgement of public officials. Inspired by developments in behavioural economics 'libertarian paternalism' suggests that given evidence that people are *predictably* irrational governments can enable people to achieve their *own* ends but without limiting freedom of choice.

*Government Paternalism: Nanny State or Helpful Friend?* by Julian Le Grand and Bill New falls firmly within the libertarian paternalist canon. Le Grand and New oppose governmental measures that limit personal choice. Equally, however, they maintain there is significant scope for governments to improve the chance that people might successfully pursue their own ends.

I begin this essay by sketching the distinctions Le Grand and New draw between cases when paternalist regulatory measures are, and are not justifiable. I proceed to critique the framework underlying the libertarian paternalist case and its normative conclusions. More specifically, I argue that the behavioural economics literature has failed to take on board important insights from the Coasean and Hayekian traditions and that proper attention to these insights may point towards very different policy conclusions.

### *Le Grand and New on 'Good' and 'Bad' Paternalism*

In their opening chapters Le Grand and New define the kinds of public policies that constitute paternalism before considering which of these is justifiable on liberal grounds. They define government intervention as paternalistic if it is intended either to address a failure of judgement by an individual or to further the individual's own good (23). They do not, however consider interventions designed to secure public goods – such as defence and various non-excludable consumption goods – as falling under the category of paternalism. These interventions are designed to overcome coordination problems arising from misaligned incentives that might block people from securing the goods in question via a non-governmental mechanism.<sup>1</sup> Building on this definition Le Grand and New proceed to

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<sup>1</sup> It is not clear why public goods provision by the state does not fall into the category of potentially paternalist action. Though there are a few exceptions, most so called public goods are excludable to varying degrees and can be secured through contractual mechanisms such as assurance contracts (see, Schmidt, 1991). Even in cases where the good concerned is genuinely non-excludable some people might prefer that the good not be provided rather than risk exposure to predatory action or over-provision of the good in a context of

distinguish between various paternalistic actions. Of these, they suggest only 'means-related' or 'non-perfectionist' forms of government paternalism are justifiable.

'Means-related' paternalism occurs when a regulator directs their attention at the decisions people take to achieve certain ends. 'Ends-related' paternalism by contrast is similar to a perfectionist stance, which holds that the government is justified in taking a judgemental position on the activities people pursue and over the character traits that should be encouraged (31). For perfectionists, these judgements should be based on what is deemed good for a person, *independent* of any views the individuals concerned may have about such goodness. As Le Grand and New see it, paternalism of this species is not viable because citizens are unlikely to look kindly on policies that make no reference to their own conception of their ends. Even if the paternalist's ends are in some objective sense 'better', they will only improve the individuals' life experience if the persons concerned actually endorse them.

With these distinctions in place Le Grand and New analyse how governments intervene in the lives of their citizens and the extent to which these measures reflect paternalistic motives. Their principal targets here are non-paternalistic justifications for existing policy interventions. Typically, such arguments are based on social welfare considerations which suggest that preference satisfaction may require governments to intervene where there are potential externality problems, public goods dynamics or information asymmetries that may lead to Pareto sub-optimal outcomes in markets. Alternatively, non-paternalistic justifications for government intervention are often made on social justice grounds. From health care, through to education, and subsidies for the arts many defenders of public provision or regulation suggest that direct intervention is required to ensure the least advantaged secure adequate access to the goods concerned (chapter 4).

Le Grand and New endorse market failure and equity based arguments for state action but they maintain that the kinds of interventions governments frequently pursue do not map well onto these issues. Market failures might be better addressed by providing consumers with more information or taxing externalities yet governments often regulate directly through restrictions, which limit individual choice and this suggests that paternalistic motives may be at play (60-72). Equally, if social justice was the primary consideration this would point towards the state redistributing income to the least well off. In a context where the welfare net is sufficiently generous people would be able to secure access to goods such as higher education and the arts if they valued them. Though one could argue that large scale collective action problems may impede optimal provision via a market model, Le Grand and New are sufficiently aware of public choice theory to know that large scale collective action problems also plague public provision. In his other writings Le Grand in particular has been an advocate of market-based reforms to public services on the grounds that they offer the prospect of greater individual choice and greater efficiency of supply.

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monopolistic public supply. Le Grand and New however drawing on Gerald Dworkin, argue that providing such goods is *not* paternalistic because it provides the only feasible way for the majority to advance their own welfare (21).

For Le Grand and New, that governments often favour specifying how people are to receive redistributive benefits through direct provision or regulation even when there are more choice-centred models available, implies a preference for paternalistic provision (72-75). Le Grand and New do not however address whether this alleged paternalism is supported by the population subject to it. One might see such measures as a form of ‘popular paternalism’. Alternatively, support for intervention might be explained by power imbalances within democratic structures or by voters being subject to the reasoning failures that Le Grand and New subsequently analyse using the tools of behavioural economics – an issue I will return to in the final section of this essay.

Insofar as paternalism does in fact better explain the character of many policy interventions then the central question for Le Grand and New is whether these measures are compatible with the means-related paternalism they wish to defend and if not, what kind of measures would be appropriate to such motivations? It is in this context that they invoke the findings of behavioural economics. These suggest that people are subject to multiple cognitive and motivational biases which lead them to make *predictable* mistakes. Le Grand and New present a comprehensive account of the theoretical and empirical foundations of behavioural economics that should be required reading for any political theorist interested in the issues raised by the ‘behavioural revolution’ and the challenges this offers to standard rational choice models. In presenting this account they focus on four specific categories of behavioural failure identified in the literature (chapter 5).

A significant body of work in behavioural economics suggests that people lack the skills to appreciate event probabilities, thus lessening their propensity to take preventive measures or to insure appropriately against risks (see for example Camerer, Issacharoff, Loewenstein, Donoghue and Rabin, 2003; Sunstein and Thaler, 2003). Le Grand and New categorise the findings of this literature as problems of ‘limited technical ability’.

A second category of failures reflect the problem of ‘limited imagination’. These arise when individuals over-value the familiar and neglect the positive or negative consequences arising from changes in future states. People may for example, fail to appreciate the consequences of not saving enough for their retirement or continuing to smoke and may act in ways at odds with their future interests. Related to this phenomenon Jolls and Sunstein (2006) have discussed the significance of endowment effects where individuals value things more when they already have them than when they do not, and when people place more weight on avoiding losses than securing gains. The ‘status quo’ biases emphasised by Sunstein and Thaler (2003b) which result in individuals sticking to a default position rather than moving to a potentially superior routine constitute a further dimension of what Le Grand and New describe as ‘limited imagination’.

‘Limited willpower’ reflects a third category of decision failures and refers to the inability of agents to take actions they know will increase their future welfare but where they lack the motivation to change behaviour accordingly. Thus, one may be fully aware of the risks associated with smoking but suffer from weakness of will in trying to quit.

Finally, ‘limited objectivity’ refers to confirmation biases that lead people to filter new information through an established set of beliefs which may not correspond well to the actual situation in hand. Tversky and Kahneman’s (1973) analysis of the ‘availability heuristic’ may fall into this category. People tend to judge the probability of an event based on how easily examples of it can be brought to mind. They may for example be overly pessimistic about their likelihood of contracting a rare illness owing to their knowing someone who died from such an illness in the recent past. Alternatively, people who do not themselves know anyone who has been involved in an accident of one kind or another may underestimate the likelihood of such events.

For Le Grand and New evidence of these ‘motivational biases’ and ‘reasoning failures’ provides compelling grounds for recognising that paternalist interventions might make people better placed to achieve their ends. The mechanisms they favour here are ‘nudge-based’ policies which aim to restructure the ‘choice architecture’ to produce a higher level of means-ends rationality while preserving individual choice. These policies manipulate the baseline conditions in which choice occurs but aim to do so in a way that does not make people feel their personal autonomy has been compromised. Thus, auto-enrolment in pension schemes may improve the likelihood that people will save for their retirement by using status quo bias to encourage more saving while retaining the possibility for those who do not wish to save to opt out (Sunstein and Thaler, 2003 b). Likewise, requiring that smokers secure a yearly permit to continue smoking may counteract the combination of weakness of will and status quo bias that afflicts many smokers by making the decision to carry on smoking something that must actively be chosen. Such a policy preserves the autonomy of those who genuinely wish to smoke by giving them the option of securing the yearly permit (Le Grand and New, chapter 7: 135-139). Though Le Grand and New do not discuss them in detail the case for so called ‘sin taxes’ on fatty foods, tobacco and other goods with possible negative long term health effects might also be justified in such terms. These policies do not forbid the consumption activity but seek to set a price for it that more accurately reflects possible long term health effects for the consumer (see, for example, Donoghue and Rabin 2006).

From a liberal or libertarian standpoint there is much to admire in Le Grand and New’s survey of the behavioural economics literature and its potential policy implications. The distinction between means-related and moralistic paternalism and the critique of non-paternalist justifications for many existing state interventions provides a framework that those sceptical of an overly powerful state might embrace. Egalitarian liberals who favour income redistribution on social justice grounds for example, while they need not oppose measures that seek to steer the choices of the disadvantaged through various nudging mechanisms, should be sceptical of policies that eliminate the capacity of the least advantaged to exercise choice over the services they receive. Within this context, libertarian paternalism offers some pragmatic suggestions that point towards policies which may expand individual choice *relative to the status quo* found in contemporary social democracies. Nudging people to contribute to private savings schemes may be a more choice friendly policy than a reliance on mandatory public provision. From the perspective of this reviewer however, the liberalism espoused by Le Grand and New is at best a half-

hearted one. As I will show below, its support for means-related paternalism is subject to similar deficiencies as other attempts to justify an activist state on supposedly liberal grounds.

### ***'Ends-Related' Paternalism in Disguise***

Consider first the suggestion that nudging policies are neutral between ends. On closer inspection, libertarian paternalists *do* in fact make judgements about ends, but they disguise these judgements by a subtle but significant misuse of the concept of externalities.

Welfare economics in the Pigovian tradition identifies externalities when individuals acting alone or in an exchange with others 'impose costs' on second or third parties who have not consented to take on these costs. Pollution issues are often seen in this manner and are understood as 'market failures' that might be corrected by taxes that will 'internalise' the costs concerned. Libertarian paternalists often apply the notion of reasoning and motivation failures to distinguish 'multiple selves' where decisions made by a person in the immediate term may 'impose costs' on the interests of that person's 'future self' (Donoghue and Rabin, 2006). Just as the rationale for pollution taxes is to encourage would-be polluters to internalise costs, so nudging measures are designed to ensure decisions made by the current self will account for the costs felt by the future self. The problem here however is that this way of understanding externalities was over-turned by the Nobel Laureate Ronald Coase, yet nowhere in their account do Le Grand and New or other proponents of libertarian paternalism explore the implications of the Coasean approach. This is a significant omission because a Coasean analysis exposes the frequent *non-neutrality* of normative behavioural economics with respect to ends.

In *The Problem of Social Cost* Coase showed that externalities should be understood as 'double-edged' or 'reciprocal' phenomena (Coase, 1960). Many discussions of environmental issues depict a struggle between 'perpetrator' and 'victim' when the underlying issue is one of *inter-personal conflict over the rights to an asset*. Pristine environmental conditions for example may be associated with low material living standards, non-existent health care and low life expectancy. Decisions to protect habitats and to eliminate pollution therefore, could be depicted as 'imposing costs' on those who place a higher value on economic well-being, yet the standard externality approach 'take sides' by implying that it is *always* the 'polluter' who acts 'wrongfully'. In cases of inter-personal conflict the goal should be to avoid the 'more serious harm' but it should not be assumed that the polluter imposes a 'greater harm' on those who prefer cleaner air, any more than it should be assumed that those with the latter preference impose a 'greater harm' on the would-be polluter.

On a Coasean view, whether someone is defined as a victim or perpetrator is fundamentally a question of who has the rights to engage in an activity and whether they wish to trade such rights for compensation. If rights reside with those preferring to be pollution free then acts of pollution will count as torts which can be stopped by way of legal injunction. Would-be polluters can offer to compensate the environmental rights holders for allowing a

resumption of the polluting activity. Should the value of the compensation offered fail to exceed the value the rights holder attaches to the undisturbed property then no transaction will occur. Alternatively, if rights reside with the polluter then those seeking a pollution free environment can offer to pay the rights holder to desist. What matters is that rights are clearly assigned to facilitate mutually beneficial trades between the holders of conflicting values. With zero transactions costs, the amount of the 'polluting activity' arising from the process of bargaining will be the same *irrespective* of who owns the initial set of rights.

Coase was of course, well aware that transactions costs are usually *positive* and that the incidence of these costs may mean that the initial rights allocation *does* in fact have an impact on the level of pollution to emerge (Coase, 1989). The problem of high transactions costs which can block potentially beneficial trades however is not necessarily a problem that will systematically work to produce higher or lower levels of pollution than is optimal. In some instances high transactions costs may result in more pollution than is desirable, but in others this situation may be reversed. Whether or not transactions costs work against or in favour of environmental preferences, therefore, will depend on the institutional specifics of the case in question (*Ibid*).

Though it may seem counter-intuitive to suppose that it should *ever* be the case that the initial set of rights should be assigned to polluters, this principle is in fact frequently invoked to resolve potential conflicts over land use and some forms of air or noise pollution in an ends-neutral manner. In common law legal systems for example, the doctrine of 'coming to the nuisance' varies the baseline allocation of rights according to something like a first possession rule. Thus, if new houses are built close to an isolated pig farm and the residents complain about noxious odours, the assumption may be that since the farmer was 'there first' and the residents chose to move to the area concerned it is they who are seeking to 'impose a cost' on the farmer by seeking to limit her previously undisturbed activities. If on the other hand someone was to open a pig farm close to an established residential zone then the burden of liability would be reversed. The coming to the nuisance doctrine attempts to maintain ends-neutrality between production and amenity interests through the first possession principle. To systematically 'take sides' by *always* assigning rights to amenity interests over production interests irrespective of who was 'there first' or to always rule in favour of the same side in cases where it is not clear who should have priority would be to abandon this neutrality.

Notwithstanding its claims to be ends-neutral, Le Grand and New's libertarian paternalism and indeed a good deal of normative behavioural economics is prone to precisely this 'taking sides' mentality for just as externality issues *across* individuals are reciprocal, so too are potential externalities *within* the individual (internalities). Given the 'double-edged' character of intra-personal externalities it should not be assumed that the current self 'imposes costs' on the future self by smoking or failing to save. Depending on how 'rights' are assigned 'within the self' it might equally be said that the future self imposes costs on the current self. Similarly, there should be no assumption that the costs to the future self from smoking or not saving outweigh the gains to the current self from the enjoyment of tobacco or higher present consumption (for a detailed discussion on this see Whitman,

2006: 3-5). There are many cases where people delay gratification ‘too much’ and consume ‘too little’ because of a propensity to put the interests of their future selves above those of their current self. The problems experienced by workaholics and anorexics suggest that excessive self-control can be as much of a problem as a lack of control. Similarly, evidence suggests that some people who would derive greater consumption benefits than there are health risks from smoking say the occasional cigarette, eating the odd cream cake or consuming sugary beverages as a treat often exercise ‘too much’ self-control by eliminating these activities *entirely* (*Ibid*: 5).

The existence of intra-personal conflicts shows that there are trade-offs between different interests *but there is no scientific or value free method that can tell us how such trade-offs should be made* or ‘which self’ should have to make the relevant ‘compensatory payments’. That Le Grand and New are keen to manipulate the ‘choice architecture’ to *systematically favour* what they deem to be long run over short run interests by for example making it more difficult for smokers to smoke or non-savers to spend, indicates a preference for the ends they associate with the future self. Now, libertarian paternalists may respond here by suggesting that applying something like a first possession principle in the intra-personal case would be no more neutral. It would amount to a preference for whatever is already happening. The problem with this response is that it is not apparent that the status quo does in fact privilege activities such as smoking or spending because as noted above people may be as likely to suffer from excessive self-control as an absence of control. These cases seem closer to a pollution dispute where it is not clear who should have the prior rights. In this context, the determination of libertarian paternalists to favour policies they associate with long run over short run interests is analogous to a court that, when there is uncertainty whether it is pig farmers or residents who should have priority, as a matter of principle *always* rules in favour of the same side.

### ***The Irrelevance of Strict Rational Choice***

If the foregoing analysis is accurate it has serious implications for how the intra-personal conflicts examined by behavioural economists should be conceived but a further objection to normative behavioural economics relates to its focus on individuals’ lack of information, poor information processing skills and lack of objectivity. The assumption here is that complete means-ends rationality is the appropriate benchmark against which to judge individual behaviour. In this sense the behavioural revolution in economics is no revolution at all because it mirrors the normative approach of orthodox neo-classical economic theory. The latter uses strong rationality assumptions not only as a rough description of reality but when reality ‘fails’ to match this pattern, as an *indictment of* reality and to call for appropriate ‘corrective measures’. Thus, if ‘real world’ markets diverge from the conditions required for a perfectly competitive equilibrium then it is often assumed that government *can and should* intervene to bring about such an equilibrium in their place. Similarly, for behavioural economics, if individuals in their internal decision-making practices depart from the requirements of strict rational choice then it is often assumed that the state *can and*



*should* intervene to ‘correct’ the outcome. Thaler and Sunstein adopt precisely this welfare standard in judging individual choice when they note:

We intend ‘better off’ to be measured as objectively as possible, and we clearly do not always equate revealed preference with welfare. That is, we emphasise the possibility that in some cases people make inferior choices, choices that they would change if they had complete information, unlimited cognitive abilities and no lack of willpower (Thaler and Sunstein, 2003: 175).

It is this welfare standard that underlines libertarian paternalism. Yet, as Gigerenzer and Selten (2001) have noted this begs the question of whether ‘full rationality’ either at the institutional *or* at the individual level is a useful standard against which to judge performance in a world of flesh and blood actors *who are not and cannot be fully rational*.

At the institutional level, Hayek showed more than sixty years ago that full informational equilibrium is *irrelevant* to discussing the ‘real world’ coordinative properties of markets and other social institutions. Both ‘free markets’ and ‘socialist central planning’ would be *equally efficient* with perfectly informed and fully rational actors (Hayek, 1948). The necessity for institutional comparison however arises precisely because ‘real world’ coordination occurs where information is highly uncertain and where agents face severe cognitive constraints. The key question then is not why markets or other institutions ‘fail’ to reach ‘full efficiency’ but to account for the level of coordination we do actually see *given the limited abilities of real world economic agents*. On Hayek’s view, the comparative case for a predominantly market-based political economy is not that markets will come anywhere near ‘full efficiency’ but that decentralised competition will tend to generate *more* information and inter-personal coordination of plans *than would be the case under a centrally controlled system*. His suggestion is that *given agents’ cognitive constraints* no central agency can spot and respond to as many ‘gaps’ in the economic environment as effectively as a multitude of individuals and organisations that have the freedom to exit from and enter into different commercial transactions. Market price signals while not transmitting ‘perfect information’ communicate more information to which consumers and producers can adapt than would be the case were prices to be centrally determined. Similarly, a competitive system allows greater scope for experimentation between different problem solutions. For competition to be effective *relative to a system of state monopolies* does not require anything like ‘perfect competition’ with large numbers of buyers and sellers. It simply requires that incumbents are subject to new entrants offering better opportunities than those currently available (Hayek, 1948).

These Hayekian insights have similar implications for behavioural economics. What needs to be explained is not why people fail to be fully rational in pursuit of their ends given the reasoning and information processing failures they are subject to, but why it is they are able to achieve their ends *in spite of these failings* (on this see Boettke, Caceres and Martin, 2013). In their private affairs people take advice from or imitate the behaviour of all manner of individuals and social authorities to cope with an uncertain environment and while their resultant decisions may not match the requirements of strict rational choice, they may help to explain why most people, most of the time, are able to make tolerable decisions on pivotal issues such as choice of profession, where to live, and when or whether to have

children. That these coping mechanisms may not serve people well in laboratory experiments when judged against the requirements of strict rationality does not imply their relative ineffectiveness in 'real world' choice situations where the stakes are typically much higher. Moreover, there are no obvious reasons to suppose that regulators who lack context-specific knowledge of people's circumstances could 'correct' the outcomes at hand.

Even if one assumes that public regulators are able to shift individual decisions in one domain, they are unlikely to have knowledge of whether this will generate countervailing effects elsewhere. As Rizzo and Whitman (2009) have argued, people are subject to multiple biases, which may push their behaviour in conflicting directions. Nudging them in one direction while simultaneously failing to deal with the effects of other biases may actually make it *more difficult* for a person to pursue their ends as a whole. In addition, people may respond to external self-control efforts by reducing their own attempts to develop effective behavioural strategies. The knowledge required to weigh all of these conflicting influences to arrive at policies that on balance improve rather than worsen the scope for people to achieve their ends is likely to be highly contextual and thus largely inaccessible to a public regulatory agency no matter how 'expert' its employees are in the 'science of self-control'.

When there is uncertainty over which 'nudging' strategies should be applied in a specific case and what their unintended consequences might be, then a plausible argument can be made for the benefits of decentralised competition between different strategies to reduce the effects of reasoning failures. People can and do for example join clubs and voluntary associations such as Weight Watchers or Alcoholics Anonymous which exert different forms of social and peer group pressure to steer them in one direction or another. Religious institutions and other 'character-building' organisations such as martial arts clubs have long performed this kind of function. The reward schemes offered by health insurers, minimum term gym memberships and penalty charges for early withdrawal of investment funds are all examples of decentralised strategies to cope with behavioural pathologies. One can recognise that private, profit making companies may have incentives to exploit behavioural biases and reasoning failures but there is little reason to believe that such incentives would point towards a systematic bias in the direction of any particular dysfunction. Supermarkets and chocolate manufacturers may nudge us towards the 'wrong foods' but these actions may be counteracted by the fashion and health industries nudging us to stay slim.

Within this context, libertarian paternalists need to deliver a convincing argument to show that a 'central nudging' mechanism will be better placed to help people to attain their ends than a diversity of competing nudge strategies, but no such argument is forthcoming. Le Grand and New rightly point out that 'onlookers' such as government employees, employers, academic researchers and sports coaches can often be 'more objective' about the behavioural traits of a person than the individual concerned (169), but this hardly precludes the option of people choosing an appropriate onlooker and asking for guidance on a voluntary basis. Different behavioural experts have different views on the appropriate response to particular cognitive biases and knowledge of why people make the particular choices they do is more likely to reside with those who make the relevant decisions. Even if one accepts Le Grand and New's claim that public servants are more expert in matters of

risk assessment than the typical private citizen (168), it does not follow that public servants are best placed to determine what peoples' underlying preferences are and which *particular* nudging strategies are most suitable to *specific* individuals and the decision-making problems they face. Thus, one can concur with libertarian paternalists that 'being nudged' is an inevitable aspect of social life, but reject their normative support for 'public nudging' over decentralised 'private nudging', on consequentialist grounds

### ***Reasoning Failure, Democracy and the State***

Turning finally to what is perhaps the most serious blind-spot in the behavioural economics literature, if people in markets and civil society are subject to motivational and reasoning failures then a properly balanced behavioural political economy must also consider the effects of these traits within the democratic/regulatory process. Unfortunately, the failure to provide this analytical balance typifies almost the entire behavioural economics field. In a meta-study of behavioural economics Berggren (2012) reports that of those papers recommending paternalist policy intervention, 95% do not contain *any analysis at all* of the potential problems that may arise from the cognitive limitations and behavioural biases of policy-makers. If politicians and regulators, not to mention the voters that empower them, are themselves subject to status quo bias, endowment effects and other such pathologies, then what grounds are there to suppose that a 'more rational' set of decisions will be produced by government action?

If private citizens can be subject to manipulation in the private sphere then why will they be any less subject to inappropriate manipulation of the choice architecture by politicians and regulators? True, as Le Grand and New point out, the lack of high powered financial rewards may lessen the incentive for public servants to manipulate voters for direct monetary gain (168), but since the currency of politics is power there are ample incentives for public servants motivated by a strong belief system to manipulate people's choices to further their own moral or ideological beliefs at voters' expense. Even assuming away such motivation, there is a serious possibility that mistaken and counterproductive interventions will not easily be corrected owing to endowment effects, status quo bias and confirmation bias as these play out in the actions of politicians and regulators.

Unlike many behavioural economists Le Grand and New do at least recognise the possibility of 'government failure' arising from behavioural bias, defective reasoning or power seeking but they maintain that so long as regulatory measures are 'democratically accountable' these concerns should be set aside (171-74). Yet this response is entirely unsatisfactory because it is precisely the *ineffectiveness* of democratic accountability *given people's behavioural biases* that is a stake. There is ample evidence that voter behaviour is readily manipulated by way of framing effects, that regulators tend to find comfort in administrative routines and are chronically prone to status quo bias, and that politicians cling to failing policy measures notwithstanding an accumulation of countervailing evidence (Tasic, 2011). More important, there are strong theoretical reasons to believe that these behavioural 'failings' tend to be magnified in a context of collective, democratic choice,

relative to one of private or individual choice. In the latter, the incentives to challenge one's behavioural biases are relatively strong because people can profit personally from finding more effective ways to pursue their ends. The incentives for individuals to challenge the biases reflected in publically enforced decisions are by contrast much weaker because the costs of failing to be adequately informed or sufficiently objective are not concentrated on the individual concerned but are spread across the mass of the voting population (Caplan, 2007). Moreover, the chance that any personal contribution to public debate can determine which policies are enforced is infinitesimally small. Far from concluding that behavioural bias and reasoning failure justify a paternalist state one might equally argue that they imply the need for strict constitutional limits on majoritarian decision-making to minimise the scope for voters, politicians and regulators to externalise the costs of their 'irrationality' on private citizens.

## Conclusion

I have sought to review the implications of the behavioural revolution in economics as summarised in *Government Paternalism: Nanny State or Helpful Friend?* There is much in this literature that should be of interest to political theorists. Deontological thinkers have a good deal to gain from an engagement with behavioural economics in their quest for an institutional framework that respects personal autonomy. Similarly, consequentialist theorists focused on preference satisfaction will profit from considering the factors that can prevent welfare maximisation. Valuable though this engagement could be the implication of my argument here is that political theorists should be deeply sceptical of the claims to social scientific neutrality proffered by proponents of libertarian paternalism. As currently practiced normative behavioural economics is neither neutral about the ends that people should pursue nor properly balanced in its consideration of the mechanisms best placed to help people exercise their autonomy or to achieve their preferences.

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